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C/007/0013*

Division of Oil, Gas and Mining Review of the 2007 Annual Report

Horse Canyon Mine, C/007/013, Permit Areas A and B

UtahAmerican Energy, Inc.

June 23, 2008

Reviewed By: Pete Hess

The Division received two copies of the Annual Report for 2007 for the Utah American Energy Horse Canyon Mine on May 27, 2008.

One copy was sent to the Price Field Office, (received on June 10, 2008). Each report actually contained two binders, the second of which contained the annual raptor survey information, which is CONFIDENTIAL, (Attachment "A" SPECIAL CONDITIONS 3-1, (10/15/2007)). The submittal of confidential information in a separate binder is the first permit commitment and is listed under REPORTING OF TECHNICAL DATA (See Master Technical Analysis for the Horse Canyon Mine, Lila Canyon Extension). This binder was returned to the Salt Lake office for return to the Permittee, filing in the PIC room, or disposal.

According to the Division's requirements for the review of Annual Reports, a more detailed review of the submitted raptor information needs to be completed by qualified Division personnel during the fourth quarter of 2008. That review assignment is pending at this time.

This review of the remaining 2007 Annual Report information was initiated on June 18, 2008.



The 2007 annual Report for the Horse Canyon Mine contains the following information, which will each be discussed;

- 1) The Division cover sheet, which contains General Information about UtahAmerican Energy, Inc., identifies Mr. Jay Marshall, Utah registered professional engineer as the Resident Agent. Also included are the identification numbers of all permits held by this mining operation, a list of the certified reports which are required annually by respective government agencies, the Commitments and Conditions established within the MRP of the UDOGM / State of Utah permit, reporting of other technical data, legal, financial, compliance and related information, mine maps, and other necessary information.

The following commitments required within the State of Utah permit and listed within the DOGM annual reporting form are discussed as follows;

- i. Rain Gauges, crest stage gauges and siphon samplers

The stipulation for dismissal which was approved by attorneys representing the DOGM, the Permittee, and other interested parties was not finalized until or about December 10, 2007. This agreement established the requirement to install rain gauges, crest stage gauges and siphon samplers by March 31, 2008, weather and access conditions permitting. No gauges were installed during 2007, therefore these commitments are not applicable for discussion in the 2007 Annual Report review. The Permittee notes this in the submitted 2007 Annual Report.

ii. Seep and Spring Survey

The stipulation for dismissal which was approved by attorneys representing the DOGM, the Permittee, and other interested parties was not finalized until or about December 10, 2007. This agreement established the requirement (2a, EXHIBIT A, STIPULATION FOR DISMISSAL) to conduct a spring and seep survey prior to March 31, 2008. This commitment is not relative to the 2007 Annual Report.

(2b) Identify Spring and Seep Locations (all known and newly identified) using GPS for survey to be commenced by March 31, 2008. The survey was conducted on April 11 and 12, 2008. This commitment is not relative to 2007 Annual Report.

(2c) No new springs or seeps were identified during the second quarter 2008 survey; therefore no additional water monitoring will be required. This permit commitment is not relative to the 2007 Annual Report.

iii. Commitment #3 Ground Water Monitoring Wells

Exhibit A to Stipulation for Dismissal, commitment #3 requires conversion of at least two of UEI's minor coal exploration holes to ground water monitoring wells, when drilled. To date, none have been permitted or drilled for the Horse Canyon Mine. This commitment is not relevant to the 2007 Annual Report.

2) Appendix A / Certified Reports

- a. Appendix A contains the 2007 annual inspection and report for the only impoundment which currently exists (the lower pond (#2) Permit Area "A", adjacent to the Emery County bridge over Horse Canyon Creek). At the time of Mr. Jay Marshall's inspection (June 5, 2007) the pond contained six inches of water. There were no signs of instability observed during the inspection. The UPDES permit for this outfall was allowed to expire, based upon discussion and approval with the Utah Division of Water Quality and the Division (expiration April 30, 2008). The disturbed / reclaimed area above pond #2 has been revegetated, and any sediment laden flow which continues to report to this pond is road runoff. As of the June 15, 2007 inspection, four-tenths of one foot of elevation of sediment storage capacity remains in this pond prior to the sediment elevation reaching the 60% cleanout elevation. The primary spillway has been removed from this pond, as part of the allowed expiration of the UPDES permit. The emergency spillway remains in place. The pond has never been observed as discharging by Division personnel. The in slopes and outslopes are noted as being well vegetated with no signs of erosion. Mr. Marshall performed the required

professional engineers certification for the annual inspections the same day it was performed.

3) Appendix B / Reporting of Required Technical Data

Appendix B contains an inventory report for TES (threatened, endangered and sensitive species) for the proposed permit area "B" Horse Canyon Mine disturbed area. The survey was conducted on May 3, 2007 by Environmental Industrial Services, Helper, Utah. The UDOGM permit requires that this survey be completed prior to disturbing the proposed mine site area. The Permittee initiated mobilization for vegetation removal at the permit area "B" site on January 3, 2008.

According to the Division's requirements for the review of Annual Reports, a more detailed review of the submitted threatened, endangered and sensitive species information is to be completed by qualified Division personnel during the fourth quarter of 2008. That review assignment is pending at this time.

- 4) The 2007 Annual Report does not contain an Annual Report of Officers; this information is submitted to the Utah Department of Commerce annually.
- 5) The Permit Area "B" (Lila Canyon) mine workings have not seen any development or secondary extraction activities. No subsidence has occurred.

All information completed within this review appears complete and adequate.

With the exception of the listed reviews necessary for 2007 raptor information and threatened, endangered and sensitive species information, this completes the Divisions review of the 2007 Annual Report for the Horse Canyon Mine, Permit Areas "A" and "B" (June 23, 2008).